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Discount Store News®

THE NEWSPAPER OF DISCOUNT RETAILING

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Discounters' Top Apparel Labels

Ladies	Men's	Children's
Lee	Wrangler	Garanimals
Gitano	Lee	Wrangler
Wrangler	Fruit of the Loom	Lee

Source: DSN *research*

Lee-Wrangler Merger Effects Are Uncertain

By KAREN PAXTON
Nationwide DSN Report

The merger of VF Corporation and Blue Bell Holdings has those in the jeans business bracing for a series of ripple effects that could hit in a few months, in a few years or not at all.

VF, makers of Lee jeans and parent company of Bassett-Walker, among other apparel companies, recently agreed to buy Blue Bell, which makes Wrangler and Rustler jeans, for $378 million in cash and stock. VF is also assuming $414 million in long-term debt from Blue Bell, bringing the total transaction to just under $800 million.

The result is a company with close to 25% of the total jeans market, a share equal to that of Levi Strauss, according to Value Line Inc. More important to consider for discount chains, VF will now own two of the segment's strongest apparel brands—Wrangler and Lee.

The question still nagging executives at retail chains and competing jeans companies is: How will VF handle its new Wrangler/Rustler jeans operations?

VF has officially said the two operations will remain separate. For discounters, the merger will have no substantial effect at all, VF president Robert E. Gregory Jr. told *DSN*. In the long term, however, there could be some meaningful shifts as VF, known for its disciplined operations and efficiency, takes steps to improve Blue Bell and strengthen its total expanded jeans business.

Among the areas to be addressed by VF are Blue Bell's inventory levels and overhead expenses, which will include an evaluation of the company's promotional package that in-

(Continued on page 106)

Crazy Eddie Ready to Tackle Cable TV Shopping Market

By MICHAEL HARTNETT

NEW YORK — Crazy Eddie, already a $262 million powerhouse in consumer electronics discounting, is about to test a new medium: broadcast retailing.

The 25-unit New York-based chain, already the fifth largest CE specialty retailer in the United States, is the latest company to make a bid for a slice of the fledgling home shopping via cable TV business, estimated by some to be a potential $8 billion market.

Its entry into shopping by cable will be outside its current New York, New Jersey and Connecticut trading area. While showing it is willing to try innovative retailing formats, the chain is considered to be conservative in its approach to entering new markets. For this reason, its initial broadcasts are expected to focus on narrow, well-defined geographic areas.

(Continued on page 20)

Lucky Shuffles Gemco's Top Execs In Attempt to Stem Earnings Slump

By BETH A. SEXER

BUENA PARK, Calif. — In the face of an ongoing earnings slump at its Gemco discount store division, parent company Lucky Stores has redefined the responsibilities of Gemco's top management and brought in another Lucky executive to help run the $2.4 billion company.

Stan Brenner, who has been president since joining the company in early 1985, has been promoted to the new post of chairman, while Samuel Parker, president of Lucky's automotive division, has been named president.

Brenner will retain responsibility for the overall operation of the discount store division, with emphasis on merchandising, marketing, and executive development.

Parker, who joined Lucky last year from his post as president of Sav-On Drugs, will be responsible for the day-to-day store operations, personnel, labor relations, engineering and warehousing and distribution functions.

Additionally, David Dorman, executive vice president, resigned to pursue other interests.

The appointments were a recognition that Gemco needed more management manpower to guide the 80-unit chain as it struggles to rebound from poor earnings, and implement a three-year store remodeling program and new point-of-sale (POS) systems, said Larry Del Santo, executive vice president of Lucky Stores.

The management shuffle coincided with Lucky Stores' announcement last month that total corporate second quarter earnings would fall below last year's second quarter earnings of $25.2 million and below the current fiscal year's first quarter results. Net earnings for the first quarter, ended May 4, totaled $21.2 million on sales of $2.31 billion.

The anticipated second

(Continued on page 104)

Discount Leaders Urge Quick OK Of Gray Market Imports Measure

WASHINGTON — Discount industry leaders urged Congress to give top priority to pending legislation protecting U.S. retailers and consumers from a court-ordered ban on "parallel imports."

Testifying before the Senate Subcommittee on International Trade, K mart trademark attorney James Tuttle warned that new restrictions on "gray market" imports will encourage resale price maintenance activities by foreign manufacturers and shutter "the only real competitive window to help keep prices down" in this country.

In contrast, representatives of anti-gray market foreign manufacturers told Congress that the price issue is a "red herring," and retailers selling parallel imports are deceiving consumers.

"The plain fact is that consumers buying gray market products are not getting what they believe they are buying—the quality, integrity, and service that the trademark represents," Charles of the Ritz president Robert Miller charged.

At the center of the dispute: legislation introduced last July by Sen. John Chafee (R-RI) to reverse a Federal appeals court ruling which invalidated long-standing U.S. Customs Service regulations permitting unauthorized parallel imports of an estimated $6 billion worth of brand-name foreign merchandise annually.

Although that decision is still subject to appeal to the U.S. Supreme Court, discount industry officials told Congress that if it stands Americans will be forced to pay sharply higher prices for many foreign-made goods.

Testifying on behalf of the Association of General Merchandise Chains, Tuttle told the subcommittee that "on average" K mart "offers discounts of 30% to 50% on parallel imports wherever possible."

In separate testimony, AGMC president Edward Borda maintained that the availability of gray market imports prevents multinational firms from "segmenting the

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Special Battery ...rt —page 27

Buyers Head to APAA Show To Tune-up Auto Basics —page 57

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Bradlees Opens 2, Unveils Remodeling

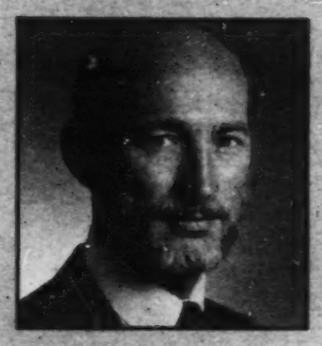
BOSTON, Mass. — Bradlees Department Stores, a division of Stop & Shop, recently opened two new stores and unveiled a renovated version at two other locations as part of its ongoing turnaround strategy .

The two new stores debuted in Plaistow, N. H., and Middletown, N.Y., on August 7 with traditional ribbon-cutting ceremonies.

Robert Peacock, senior vice president, christened the 72,000-sq.-ft. Plainstow store, which will be managed by Stanley Bleczinski. James Folino, vp, director of stores, opened the 80,000-sq.-ft. Middletown store, which will be managed by Don Newcomb.

On the same day, two renovated stores in Pittsfield, Mass., (75,700 sq. ft.) and Danbury, Conn., (89,900 sq. ft.) were unveiled. According to Bradlees' chairman and chief executive officer Harold Frank, both stores offer wider aisles, more elaborate displays and a new Petite Fashions department, among other changes.

Bradlees Names Parker to New Post



Michael F. Parker

BOSTON — Bradlees has created a new position as part of the chain's ongoing efforts to improve profitability and also remain price competitive.

Michael F. Parker, formerly of Mervyn's, recently joined the discount chain as vice president, merchandise planning and allocation, a new position.

His chief task will be to develop an organizational structure to plan and forecast store inventories. Parker will report to George Granoff, executive vice president of merchandising.

The new spot was created so that Bradlees can get better control of merchandise flow, a company spokesman said. Once goods are bought, he explained, Parker will analyze inventories and decide what amounts to ship to which stores.

The appointment of Parker to handle merchandise flow supports Bradlees' recent move to lower pricing. Last summer, the chain shifted to an everyday low price positioning on basic and commodity items and increased promotions in an effort to rescue the company's eroding market share.

The change in course dramatically cut into profits as the chain ended 1985 with earnings down by 60%. At the Stop & Shop annual meeting chairman Avram Goldbeg said the discount division would not turn a profit in the first quarter of this year. However, he said the chain will also stick to its competitive pricing which includes increased promotions and selected everyday low prices.

Parker's role of forecasting inventory levels is expected to "maximize profits" under the new pricing structure.

Before joining Bradlees, Parker served as vice president, merchandise distribution at Mervyn's. He has also worked as director, financial planning and analysis for Dayton's department stores and manager, financial planning for Target.

The addition of Parker's post follows closely the chain's decision not to replace Harold Kohn, who resigned as president July 1. Five senior vice presidents, including Granoff, now report directly to the company chairman, Harold Frank.

Ward, Toys 'R' Us Agree To Joint Selling Venture

CHICAGO — In what could promise to be the first of a round of joint occupancy moves, Montgomery Ward has tapped toy specialist Toys "R" Us to share selling floor space in a store due to open this October.

This joint venture will open in Ward's 170,000- sq.-ft. Gaithersburg, Md., store.

A Ward spokesman said no firm plans have been made with the toy retailer to share other stores, but TRU president Norman Ricken apparently likes the idea. He said the toy chain would like to share other locations with Ward on a long-term basis.

The two stores will be operated independently but through close proximity are intended to complement each other.

Ward will not stock toys in its assortment, the spokesman said. However, TRU will not be asked to drop consumer

(Continued on page 106)

Wilson Finds Smaller Better

Store Execs Buy Chain from Zale

IRVING, Texas — O. G. Wilson's top executives, through a new company, have purchased the showroom chain and plan to focus its future growth on small mall units in the Greater Texas and Louisiana Area where the current eight stores are located.

The decision of the newly formed parent company, By Land and Sea Distributors Inc., (BLBSD), marks a return to O. G. Wilson's original marketing concept of spotting 15,000-sq.-ft. to 20,000-sq.-ft. showrooms in high traffic malls, rather than operating large 50,000-sq.-ft. plus freestanding units that are typical of most showroom chains.

BLBSD purchased the assets of the eight stores, along with the inventory of four other units that are being liquidated, for an undisclosed amount from its former parent, Zale. A credit line of about $5 million from the Citicorp Industrial Credit Corp. was used for the purchase and to fund BLBSD's continuing operations.

BLBSD was set up by O. G. Wilson's two top executives, Michael Kryder, now chairman and chief executive officer, and Dan Smith, now senior vice president, general merchandise manager, who together own 95% of the stock. The remaining shares are held by Jim Ory, vp, operations; Bill LaBruyere, vp, jewelry; Cynthia Vandament, vp, controller, and the managers of the eight showrooms.

BLBSD will retain O. G. Wilson's marketing position of "a specialty regional retailer in which jewelry accounts for about 40% of the mix and non-

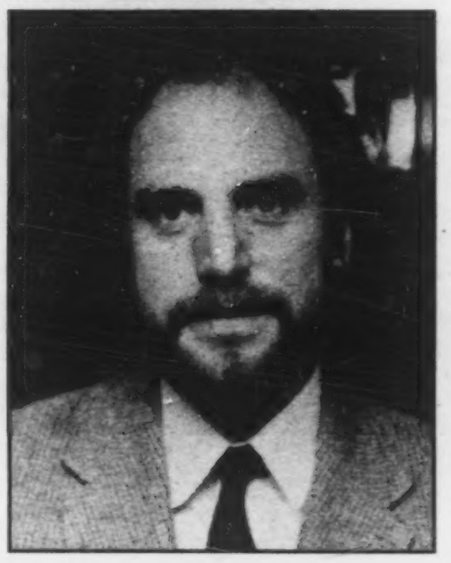
(Continued on page 104)

DSN Names Exec Editor

NEW YORK — Iris S. Rosenberg, editor of *Discount Store News*, has announced the appointment of Tony Lisanti to the position of executive editor of the "newspaper of discount retailing," which is published by Lebhar-Friedman Inc.

Lisanti, who will be responsible for day-to-day operations of *DSN*'s editorial department, has over 14 years experience in editorial management.

Most recently, Lisanti was executive editor of *Restaurant Business* magazine.



Tony Lisanti

Domestics Shop Areas Debut

Shorter runs and mini-gondolas create shop areas within the new domestics department unveiled in Jamesway's latest prototype store in Peekskill, N.Y. The chain also is dressing up standard fixtures, such as this towel wall which sports a lighted grid valance. New orange and white drop tables hold promotional and seasonal goods, such as beach towels. See story page 13.

QUIZ

The DSN Quiz, testing your knowledge of news and trends in discount retailing covered in the previous two issues, appears on this page monthly. Check your answers with the key on page 104.

1. What division is Gee Bee selling?
a) sporting goods;
b) supermarket;
c) bakery.

2. What service will Zayre offer in new departments opening at two of the chain's Chicago stores?
a) medical care;
b) financial planning;
c) advice on dating etiquette.

3. Who was recently named administrative head of the National Association of Catalog Showroom Merchandisers?
a) Marion Baker;
b) David Byrne;
c) Teddy Ruxpin.

4. If the the merger of May Department Stores and Associated Dry Goods is approved by shareholders, Venture and Caldor will operate:
a) in tandem, with a shared buying staff;
b) separately;
c) under a newly formed division.

5. To curb sales of "gray market" goods, the Reagan Administration is considering:
a) a moratorium on mail-in rebates that require foreign stamps;
b) a U.S. Naval blockade of American ports;
c) point-of-sale "warning" labels.

6. Whose invasion promises to stir short-term turmoil in the previously stable Philadelphia market?
a) Caldor and Bradlees;
b) Hills and Pamida;
c) McDonald's and Burger King.

7. The Wholesale Club's new stores in the Minneapolis/St. Paul, and Columbus, Ohio, markets will increase the chain's total store count to:
a) 11;
b) 6;
c) 34.

8. The discount industry's Total Systems Committee (TSC) was created to:
a) study direct product profitability;
b) oversee subcommittees;
c) evaluate quick response.

9. What is a Marshalls pilot program offering prospective store level employees?
a) free coffee during breaks;
b) early retirement;
c) tuition assistance.

10. Woolworth is on an expansion track, aiming to open:
a) 475 variety stores;
b) 260 convenience stores;
c) 650 stores in 28 specialty formats.

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ELECTRONIC RETAILING

Signals Glow Brightly For Electronic Buying

ARTHUR MARKOWITZ

Electronic retailing—the use of computers, TVs and other electronic devices in homes, shopping centers and even stores to sell merchandise—has a bright future despite the upheavals and marketing changes that have marked the industry's brief history.

That upbeat outlook is evident from three recent market studies, which conservatively project electronic retailing as a $3 billion to $17 billion industry by the end of the decade.

Over the past half year, the industry has witnessed such rapid changes as the demise of videotex pioneers like Gateway and Viewtron and the explosive growth of a major new segment, cable TV retailing, and its innovative founding company, Home Shopping Network.

The changes that have occurred, however, haven't outpaced the broad insights of the three studies nor the in-depth profile of the major players detailed in one of the reports.

Touche Ross & Co. has been following electronic shopping for a number of years and holds annual conferences that attract industry leaders as both speakers and attendees. Thomas Rauh, the company's San Francisco-based partner who tracks the industry, sees electronic shopping terminals in home, stores and public access locations like malls and airports generating between $3 billion and $5 billion in sales by 1990.

His latest revised brief outline of the industry, *Electronic Shopping '86,* has lowered the number of such transactional selling terminals in use by the end of the decade from 50,000 to 30,000 due to a slower consumer acceptance of shopping machines. He said consumer use of informational terminals, which just provide information on goods and services but don't transact a sale, has been "stronger than anticipated" and 70,000 terminals (up from 50,000) will be in use by 1990.

The Washington, D.C.-based Naisbitt Group has issued a number of retailing reports. Within the report *Trends in Retailing,* a capsule four-page electronic retailing section stated the industry had $285 million in sales last year and, using U.S. Department of Commerce forecasts, projects volume could reach $17 billion by 1990. "More than 100 companies now provide such shopping systems and services," the report stated.

Electronic Retailing, an in-depth 168-page study from Knowledge Industry Publications in White Plains, N.Y., projects the public access system portion of the industry, which uses mall kiosks and in-store terminals, will grow faster than the home shopping systems segment which uses computers and/or TV systems.

The study said the reason for this was the current greater availability of public access systems and the need for reduced costs for installation of a computer home shopping system. The study forecast that successful cable TV retailing requires marketers to "offer very specialized goods that are heavily discounted and aren't readily available in stores."

That insight sounds a lot like the closeout merchandising that Home Shopping Network has used to become a $100 million plus company in less than a year.

You can't follow a game unless you know the players. *Electronic Retailing* offers just that by profiling the industry's structure and over two dozen major firms.

College Students Rank Discounters No. 4 on Shopping Lists: Survey

NEW YORK — Discounters interested in selling to college students in the sought after 18- to 22-year-old age bracket should consider the findings of a new study called Student Watch.

The report stated that the nation's 12.5 billion college student population, wielding $20 billion in annual discretionary income, prefer to shop other types of retail outlets rather than discounters.

According to the study, today's student population carried bank credit cards and used them, had checking accounts and spent most of their available money on clothes.

Students preferred to shop department stores, clothing retailers and college stores, instead of discounters.

Discount stores attracted a median amount of only $76 per year per student, which makes them fourth among retail locations students shopped.

This figure compares to annual median expenditures of $249 at college stores, $166 at clothing stores, and $130 at department stores.

Convenience of location and depth of selection were the two most frequently cited reasons for preferring one retailer from another, according to the study.

The problem with discounters certainly wasn't the category of merchandise the chains offered, as everything students had been spending those discretionary dollars on was available at most discount stores.

Clothing, H & B A, records, tapes, snack foods, books, magazines and greeting cards comprised a major portion of the college students' purchases.

Clothing represented the overall highest ticket purchase, with the median annual expenditure of $187 each.

H & B A was the second most common purchase at $54 per student, annually.

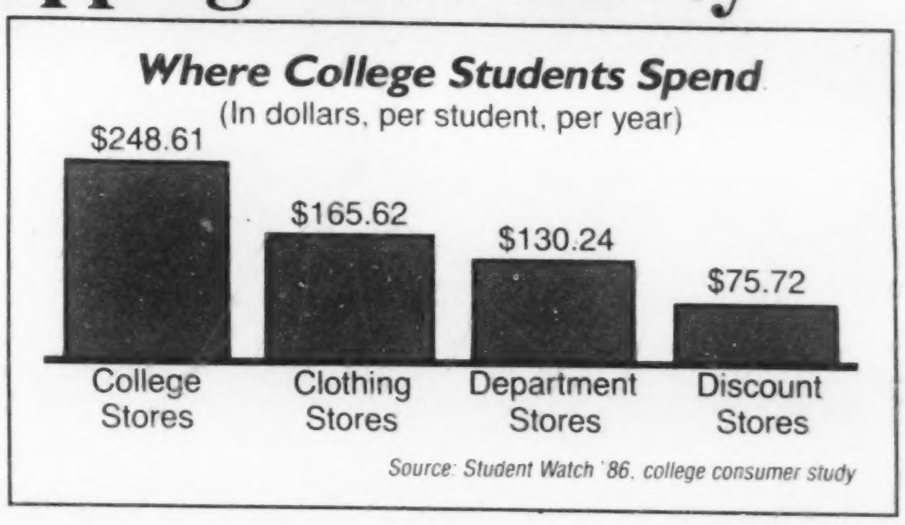
Records and tapes drew $38, as might be expected from a population in which 65% own a stereo system and 63% own a personal radio/cassette player.

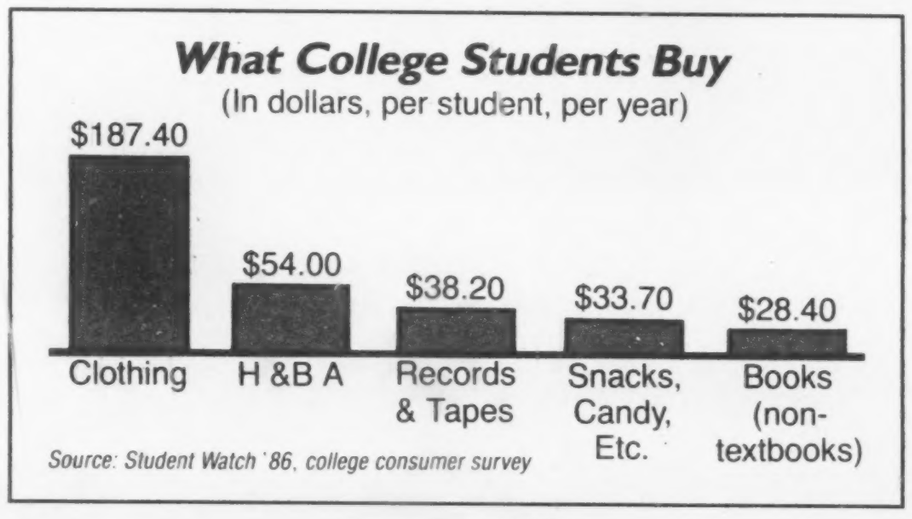
Snacks, candy and gum represented about $34 of yearly expenses.

The local college store was the first place students went to spend their money, a median of $248 annually. Clothing stores drew $166, while department store purchases represented $130 per year.

Beyond the $236 median amount spent by each student for books every year, 78% said they like to look around for recreational books—split between fiction and non-fiction selections. They shopped mostly at independent and chain book stores as opposed to the college store or a discounter.

Two hundred people at each of 50 institutions across the country were asked to fill out a 29-page survey, with nearly a 50% response rate (4,349 students participated.)





Newmark Profits in Tough Market

(Continued from page 3)

market share based on price.

The chain has used a formula to select Newmark & Lewis store locations so that one store doesn't compete against another. When the Hicksville, N.Y., store was opened it took away 18% to 20% of sales from a nearby Syosset store. Similarly, Lewis believed the new store on 45th Street in Manhattan that was opened July 31 in a former Lafayette/Circuit City location, is as close as allowable to an existing store on 27th Street.

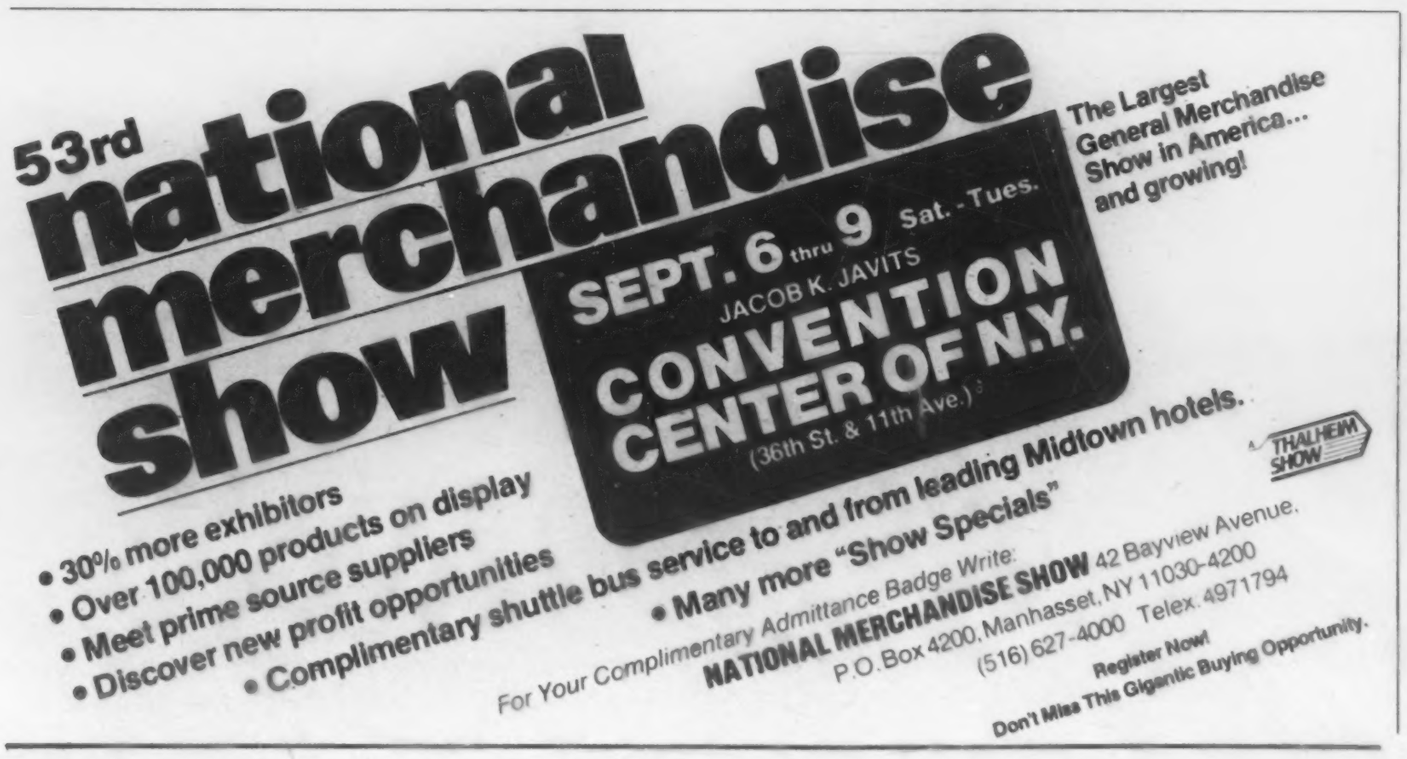
As part of the expansion into Westchester, the chain will experiment with its own version of a "super store" in Peekskill, where rents are far below costs in Manhattan and Connecticut markets. The 25,000-sq.-ft. store, which contrasts sharply with other stores that average less than 10,000 sq. ft., will have nearly double the 5,000 sku's of a typical store. "It is going to look more beautiful and the displays are going to be significantly improved. If I [now] run 12 models of RCA, I'm going up to 20. If we carry the Hotpoint line in refrigeration up to 30 sku's, I'm going up to 50," said Lewis.

The super store experiment will also create space for traffic appliances, the chain's first attempt to merchandise name brand toasters, mixers, microwave accessories and blenders. Lewis said the new product category will give shoppers another reason to shop his stores and give his salesmen an opportunity to move them up to higher margin merchandise.

If the experiment is successful, the super store concept will be used in the chain's expansion into upstate New York markets like Middletown, Poughkeepsie and Kingston, where store leases are more affordable. A new warehouse just opened in the Bronx will serve stores outside Metropolitan New York and in Southern Connecticut.

Newmark & Lewis is exporting to new markets a strategy that has depended on lowest prices on the lower end of the merchandise spectrum to generate store traffic so that salesmen have an opportunity to trade customers up to higher-margin units with more features. Lewis said the emphasis on price competition at the lower end will always be a part of selling consumer electronics in the New York market because of, not just big chain competition, but also because of the thousands of independents selling similar merchandise.

To buttress the chain's emphasis on higher end, feature packed merchandise, the chain has joined the National Appliance & Television Merchandisers buying association of 11 dealers which makes major buys from Hitachi, Zenith, RCA, Sanyo, Sansui, Pioneer and JVC under an exclusive agreement. That means Newmark & Lewis is able to offer specific models from its vendors exclusively in the markets it serves.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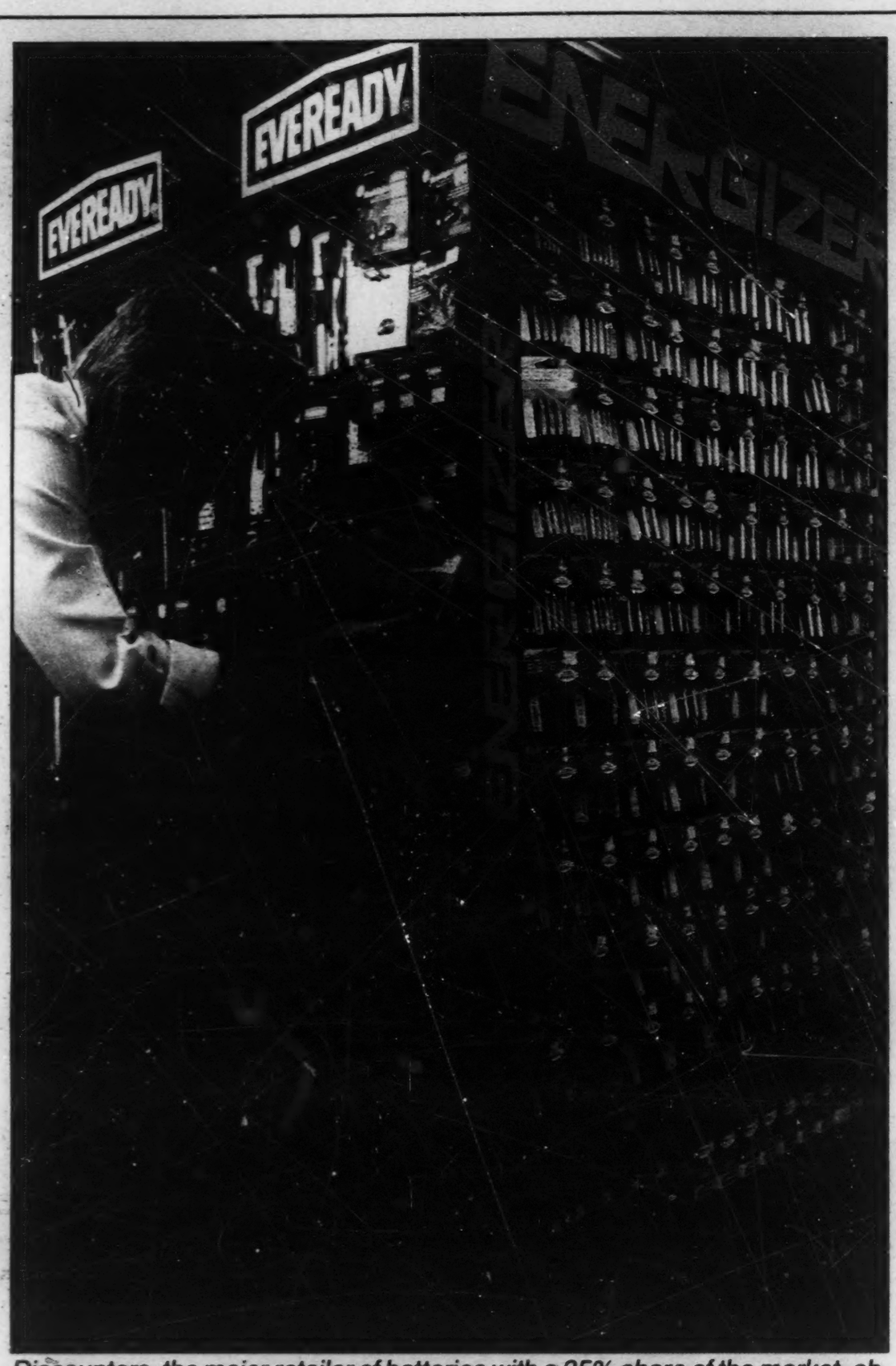
Battery Report



Discounters, the major retailer of batteries with a 35% share of the market, obtain about 70% of their battery sales at everyday price and the remaining volume at promotional prices. (DSN photo)

Increased Usage Spurs 5% to 15% Growth in Chain Battery Sales

Nationwide DSN Report

Discount stores are the heavyweight retailers of batteries, but chains recognize that there is little in the way of merchandising that they can do to boost volume.

Growth in sales—expected to be between 5% and 15%—is powered by increased consumer usage of items that require batteries, rather than innovative merchandising or promotional efforts by discounters.

Still, discounters have taken every opportunity they have to sell batteries, as the average 35% gross margin and average eight turns annually produce high gross profit dollars. This merchandising involves offering all the national brands along with secondary lines and even private label goods, spotting in-depth displays in every department that includes battery-powered products and at checkouts and regularly featuring goods in ads and in in-store promotions.

The marketing bottom line, however, remains the same: Batteries are a commodity product and consumers buy them as needed. Changes in the ratio among the types sold reflect the power needs of consumers who are more inclined to use heavy duty batteries because of their longer life than general purpose.

The merchandiser at one top discounter acknowledged that customers buy the batteries they see in the department they're shopping. His chain carries a different brand in the hardware, auto, consumer electronics and sporting goods sections and a mix of lines, including a private label offering, at the checkout.

A manufacturer executive added that battery shoppers will rarely walk out of a store if a preferred brand isn't available. As long as the battery type is available from one the three major national brands, a sale is highly likely.

All discounters merchandise alkaline batteries, followed by heavy duty types and then general purpose. Rechargeable batteries are growing in acceptance, with about 75% of chains stocking this type.

While a discounter has little merchandising influence on a sale, this doesn't mean that there isn't any chance for impulse sales. Rather,

(Continued on page 30)

Retail Battery Market Growth

Year	Units (in Millions)	Dollars (in Millions)
1980	1,471	$1,022
1981	1,571	1,237
1982	1,684	1,415
1983	1,786	1,596
1984	1,900	1,780
1985	2,010	1,980
1986*	2,120	2,170
1987*	2,240	2,370
1988*	2,360	2,600

*projected
Source: Rayovac, NFO Consumer Purchase Diary

Manufacturers Vie for Market Share with Upgraded Batteries

Nationwide DSN Report

Manufacturers are making major changes in their battery marketing in an effort to charge up their share of this $2 billion plus retail business.

The most recent major change was Eastman Kodak's entry into the battery business with a full line of products, including a lithium type that the company said was the first offered in the consumer market.

Kodak's move has peaked the interest of other manufacturers in lithium batteries. Toshiba plans to introduce a line of lithium batteries at the National Hardware Show, and other supplies are eventually expected to add this type of power cell to their lines.

Previously, two major national brands, Rayovac, followed by Eveready, had introduced a multi-pack targeted for heavy users of batteries. That description, however, seems to apply to most consumers as the average household uses about 28 batteries a year, according to an Eveready market study.

Duracell, the third major national line, has changed the packaging of its batteries from a steel can to a thinner and stronger plastic jacket. This move allowed the company "to add 15% more 'active ingredients' to the battery, boosting its life by 30%," said John Bergman, vice president of communications.

The goal of the various manufacturer moves is to stir up the battery market, which has tended to be highly stable, with sales gains reflecting the increased usage due to the greater number of products that use batteries.

Kodak's entry into the battery business could cause earthquakes because of the name's high recognition among consumers and nationwide distribution of the company's core photographic products in discount stores, supermarkets, drug stores and photo shops.

Martin Adams, vice president of Kodak's Ultra Technologies, noted that "90% of all batteries are sold through the same outlets as Kodak film products."

He acknowledged that the company's major challenge is to get wide distribution of its batteries and "to demonstrate that the new product will move off retailers' shelves." The company began shipping goods last month and expects to fill the pipelines by the end of September, at which time consumer advertising will begin and co-op dollars will be available to retailers.

A number of major discounters reportedly are planning to test the line in the photo department, banking on the Kodak tie-in with film to help sell the batteries. Adams said in the fourth quarter the company would spend as much on battery advertising as on film, but declined to give a figure.

As for the multipack marketing strategy, Rayovac's sales of these items "have been very good," said Mike Plautz, director of marketing. But he declined to give any figures, noting only that this marketing "has made more of an impact than anything else in the battery business since they were put on blisterpack cards about 15 years ago."

The marketing moves undertaken by the "Big Three" manufacturers, along with Kodak's entry into the busi-

(Continued on page 30)

1985 Retail Battery Sales

Month	Per Cent	Dollars (in Millions)
Jan.	8.9%	$182
Feb.	5.8	119
March	6.3	129
April	6.5	132
May	6.1	122
June	6.7	136
July	7.4	151
Aug.	7.2	146
Sept.	7.1	142
Oct.	9.1	186
Nov.	9.7	198
Dec.	19.2	391

Discounters Dominate Battery Market

Retailer	1980	1985
Discount Stores	32%	35%
Supermarkets	24	26
Drug Stores	17	18
Variety/Department Stores	10	5
Hardware/Home Centers	6	6
Appliance Specialty Stores	5	3
All Others	6	7

Source: Rayovac, NFO Consumer Purchase Diary

Increased Usage Powers 5% to 15% Annual Growth in Battery Sales

(Continued from page 27)
more than half of the purchases are made on an impulse buy as a shopper sees a display or promotion, remembers that the batteries in a toy, flashlight or radio is weak, and buys a fresh package.

The key to maximizing sales opportunity, therefore, is to maximize batteries exposure to the consumer. That's why among discounters, checkouts are the No. 1 location for batteries, with 86% of the chains surveyed in one study displaying this item at the front end. More than half of the the stations at the checkout feature batteries among the items displayed there.

As for the percentage for specific departments, batteries were displayed in photo, 78%, consumer electronics, 74%, hardware, 67% and sporting goods, 59%, with lesser percentages for other sections.

The day-in, day-out full margin merchandising of batteries, on the average, accounts for about 70% of a discounter's sales of this category.

Discounters' battery merchandising involves more than merely exposing the goods on spinner racks or pegboard gondolas in various departments and at the checkout. Merchandising also includes regular promotions.

On the average, discounters promote batteries monthly in ads and feature in-store promotions every other month. On promotion, discounters drop the gross margin for batteries 10 percentage points from the everyday markup to an average of 25%.

The high turn and tonnage volume that discounters have achieved in their battery business has resulted in one problem targeted by one chain in three: stock shortages. But the willingness of consumers to buy a needed battery type as long as the discounter has that item from a national manufacturer or else a sharp price for a secondary line or private label offering means that the store can expect to make the sale.

Where Discount Stores Sell Batteries

Store Location	Percentage
Checkout	86%
Photo/Camera	78
Consumer Electronics	74
Hardware	67
Sporting Goods	59
Toys	49
Separate Battery Area	37
Housewares	14
H&BA	8
All Others	20

Source: Rayovac, NFO Consumer Purchase Diary

1985 Retail Battery Market by Type/Size

Size	General Purpose	Heavy Duty	Alkaline	Total
D	39%	29%	21%	27%
C	26	22	19	20
AA	23	37	45	38
AAA	1	—	6	5
9V	8	9	9	8
941	3	3	—	2

Source: Rayovac, NFO Consumer Purchase Diary

Retail Battery Market by Type (% and Units)

Type	1985 Per Cent	1985 Units (in Millions)	1986 Per Cent	1986 Units (in Millions)
Alkaline	54%	1,090	59%	1,390
Heavy Duty	25	500	27	640
General Purpose	21	420	14	340

* projected

Source: Rayovac, NFO Consumer Purchase Diary

Manufacturers Vie for Battery Market Share

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ness, reflect a basic fact: Major increases in a manufacturer's share of market will have to come at the expense of another producer, rather than any explosive growth in the overall battery business.

Batteries' unit growth through 1988 is expected to average just under 6% annually, while the increase in dollars in the same is projected at just under 10% annually.

This steady increase has resulted in manufacturers eyeing each others share of market and acting to get discounters and other retailers to carry their product at the expense of the competition. Discounters and other retailers, in turn, have tried to cover all of the bases by offering as broad a selection of brands to their shoppers as possible, with products from the Big Three as the core offering.

Battery marketing—particularly for the major national brands—has become more complex as secondary lines like Panasonic, Hitachi, Maxell, Memorex and Toshiba have established market credibility.

These brand names first gained consumer acceptance as manufacturers of consumer electronics, the same type of items that often use batteries. Now these companies are trying to build on their reputation by offering not just the CE item, but also the battery that powers it.

While these manufacturers are attacking the battery market from the consumer electronics end, often by including their battery with the CE item, Kodak is trying to break in through the photo end.

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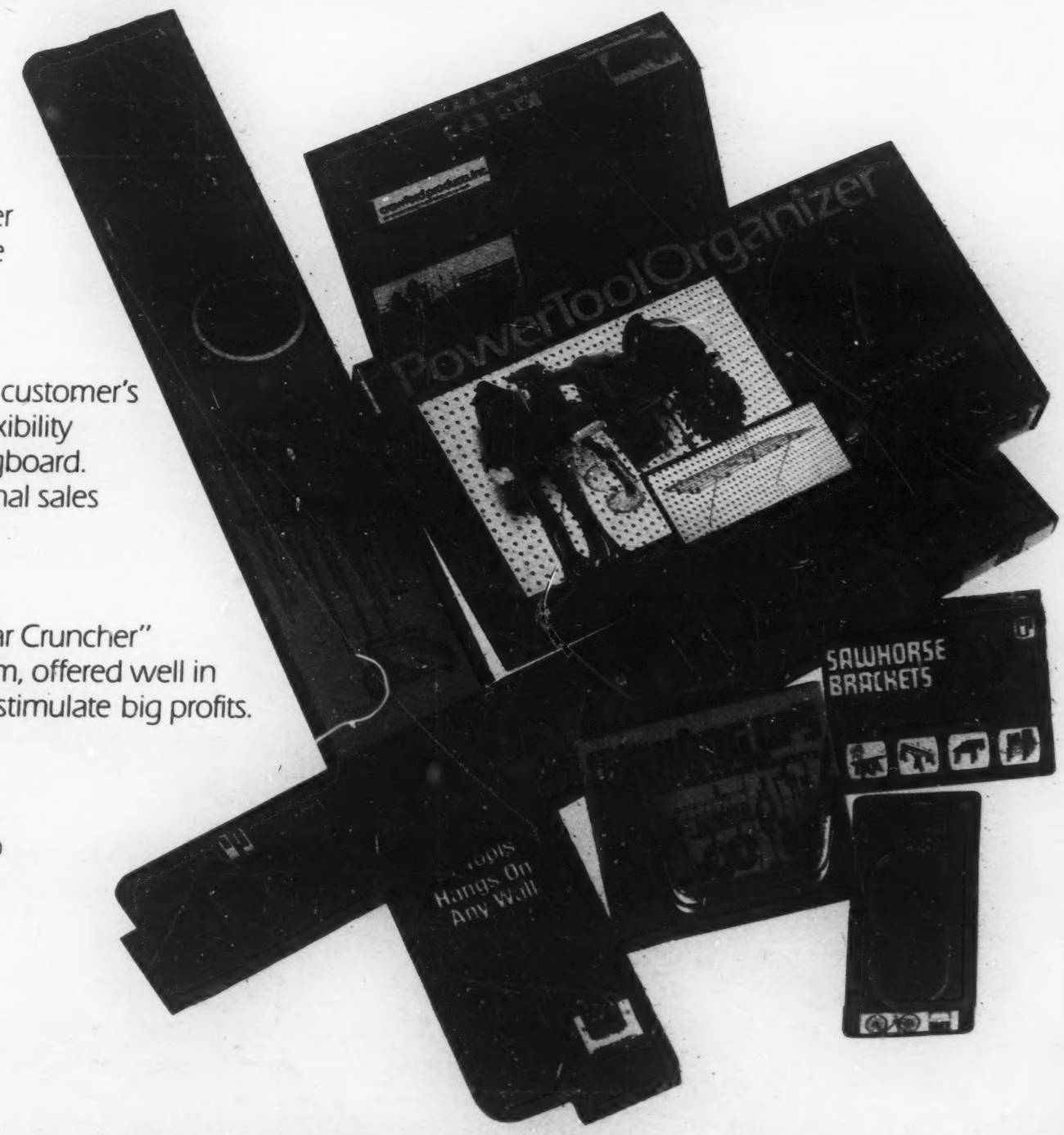

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